

TAB

SECTIONAL ANALYSIS AND EXPLANATION

The first section amends section 291 of the Central Intelligence Agency Retirement Act to incorporate the changes to cost of living adjustments for the Civil Service retirement system recently made by P. L. 93-136.

Prior to the change in the law, an employee had to retire no later than the day immediately preceding the date upon which the increase became effective. This peaked retirements in one short period which disrupted work requirements. This also created the situation whereby an employee, who was separated for retirement soon after the effective date of an increase, received a smaller annuity than an employee who retired before the effective date, even though the employee who retired later had more service and a larger high three average salary.

P. L. 93-136 guarantees a minimum annuity for Civil Service retirees equal to what would have been payable had the commencing date of the annuity been the effective date of the last preceding cost of living adjustment.

As in the case of P. L. 93-136, the proposed amendment applies only to immediate annuities and does not require that the participant be eligible for an immediate annuity at the time of the preceding cost of living adjustment.

In conformity with P. L. 93-136, section 2 of the bill extends the policy prescribed in the first section to those annuities which commence on or after 2 July 1973.

TAB

CHANGES IN EXISTING LAW

Changes in existing law made by the draft bill are shown as follows: existing law in which no change is proposed is shown in roman; existing law proposed to be omitted is enclosed in brackets; new matter is underscored.

CENTRAL INTELLIGENCE AGENCY RETIREMENT ACT OF 1964 FOR CERTAIN EMPLOYEES, as amended (78 Stat. 1043, 50 U.S.C.A. 403 Note)

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TITLE II--THE CENTRAL INTELLIGENCE AGENCY RETIREMENT AND DISABILITY SYSTEM

Part J--Cost of Living Adjustment of Annuities

SEC. 291. (a) On the basis of determinations made by the Director pertaining to per centum change in the Price Index, the following adjustments shall be made:

(1) Each annuity payable from the fund on January 1, 1967, shall be increased on that date by (a) 12.4 per centum for annuities which commence on or before January 1, 1966, or (b) 4.9 per centum for annuities which commence on or between January 2, 1966, and January 1, 1967.

(2) Each month beginning with November 1966, the Director shall determine the per centum change in the price index. Effective the first day of the third month which begins after the price index shall have equaled a rise of at least 3 per centum for three consecutive months over the price index for the base month, each annuity payable from the fund which has a commencing date not later than such effective date shall be increased by 1 per centum plus the per centum rise in the price index (calculated on the highest level of the price index during the three consecutive months) adjusted to the nearest one-tenth of 1 per centum.

(b) Eligibility for an annuity increase under this section shall be governed by the commencing date of each annuity payable from the fund as of the effective date of an increase, except as follows:

(1) An annuity (except a discontinued service benefit under section 234(a)) which:

(i) is payable from the fund to a participant who retires, or to the widow or widower of a deceased participant; and

(ii) has a commencing date after the effective date of the then last preceding annuity increase under section 291(a);

shall not be less than the annuity which would have been payable if the commencing date of such annuity had been the effective date of the then last preceding annuity increase under section 291(a). In the administration of this paragraph, a participant or deceased participant shall be deemed, for the purposes of section 221(h), to have to his credit, on the effective date of the then last preceding annuity increase under section 291(a), a number of days of unused sick leave equal to the number of days of unused sick leave to his credit on the date of his separation from the Agency.

[(1)] (2) Effective from its commencing date, an annuity payable from the fund to an annuitant's survivor (other than a child entitled under section 221(c)), which annuity commences the day after annuitant's death and after January 1, 1967, shall be increased by the total per centum increase the annuitant was receiving under this section at death; or if death occurred between January 1, 1967, and date of enactment, the per centum increase the annuitant would have received.

[(2)] (3) For the purpose of computing the annuity of a child under section 221(c) that commences after October 31, 1969, the items \$900, \$1,080, \$2,700, and \$3,240 appearing in section 221(c) shall be increased by the total per centum increases allowed and in force under this section on or after such day, and, in case of a deceased annuitant, the items 60 per centum and 75 per centum appearing in section 221(c) shall be increased by the total per centum allowed and in force to the annuitant under this section on or after such day.

[(3)] (4) The annuity of each surviving child receiving an annuity under section 221 immediately prior to November 1, 1969, shall be recomputed effective November 1, 1969, in accordance with paragraph (b)(2). No increase allowed and in force prior to such date under section 291 shall be included in the recomputation of any such annuity, and this paragraph shall not operate to reduce any annuity.

TAB

5 NOV 1973

The Honorable James O. Eastland
President pro tempore of the Senate
Washington, D. C. 20510

Dear Mr. President:

This letter transmits for the consideration of the Congress a draft bill to amend the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, as amended.

The proposed legislation conforms the Central Intelligence Agency Retirement Act to changes approved in P. L. 93-136 for the Civil Service retirement system by guaranteeing to a retiree or his survivor a minimum annuity equal to what would have been payable had the retiree been eligible for the most recent cost of living adjustment of annuity. The effective date of the proposed legislation is identical to that approved in P. L. 93-136.

A number of key features in the Central Intelligence Agency Retirement Act, including the cost of living adjustment provision, are based upon Civil Service retirement provisions. Enactment of the proposed legislation will assure that the Central Intelligence Agency retirement system remains in line with the Civil Service system in this important area.

We would appreciate early and favorable consideration of the proposed bill. The Office of Management and Budget has advised that there is no objection to presenting the proposed bill to the Congress from the standpoint of the Administration's program.

Sincerely,

SIGNED
W. E. Colby
Director

Enclosure

5 NOV 1973

The Honorable Carl Albert
Speaker of the House of Representatives
Washington, D. C. 20515

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W. E. Colby
Director

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ESTIMATED COST

In determining the cost of this legislation, the Civil Service Commission in its comments on the same proposal observed that:

"To the extent that employees delayed retirement by a few months they would (1) pay contributions to the Fund for a longer period, and (2) not receive any annuity for those months--a combination necessarily resulting in more money in the Fund. On the other hand, to the extent that employees who would have retired after the effective date of the cost of living increase anyway receive a higher annuity than they would have received if they had retired on the effective date, more money would be paid out of the Fund."

It is estimated that the legislation will increase the unfunded liability of the CIA Retirement and Disability Fund by [REDACTED] in the 25X1A case of retirees and survivors since 2 July 1973 and by about [REDACTED] 25X1A for those who would be made eligible for the cost of living adjustment which is scheduled to take effect on 1 January 1974. (the [REDACTED] 25X1A figure was arrived at by applying the correlation which exists for the Civil Service system estimate of unfunded liability for the class of retirees and survivors whose annuities become effective after 1 July 1973 and 1 January 1974).

25X1A Under proposed draft legislation which would place the funding of the CIA Retirement Act on the same basis that applies to the Civil Service retirement system, there would be paid by the Treasury a certain amount of the interest due on the additional unfunded liability of [REDACTED] which is created by this legislation. Using a five percent valuation the interest due would amount to [REDACTED] per annum and over 25X1A a five year period the payments into the Fund would amount to:

Fiscal year 1974 (40 percent of [REDACTED])
Fiscal year 1975 (50 percent of [REDACTED])
Fiscal year 1976 (60 percent of [REDACTED])
Fiscal year 1977 (70 percent of [REDACTED])
Fiscal year 1978 (80 percent of [REDACTED])

25X1A

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